

Message Text

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PAGE 01 LONDON 00905 181616Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----044517 181731Z /47

P R 181535Z JAN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 2147
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMEMBASSY BONN
AMEMBASSY ROME
AMEMBASSY COPENHAGEN
AMEMBASSY TOKYO

C O N F I D E N T I A L LONDON 00905

EXDIS

DEPT PASS STR ELECTRONICALLY

USEEC

E.O. 11652: XGDS-L
TAGS: ETRD, JA, UK, EEC
SUBJECT: CONTINUED BRITISH DESIRE TO PRESSURE JAPAN

REF: 77 LONDON 20535

1. IN MEETING WITH DEPUTY ASSISTANT SECRETARY HORMATS AND THE ECONCOUNSELOR ON JANUARY 16, FOREIGN OFFICE OFFICIALS DEMONSTRATED THAT (A) THEY DON'T VIEW THE AGREEMENT ACHIEVED BY THE U.S. IN TOKYO AS SUFFICIENT AND (B) THEY CONTINUE TO WANT JOINT EUROPEAN-US PRES-SURE ON JAPAN.
2. IN ONE CONVERSATION, DEREK THOMAS AND HUMPHREY MAUD SAID THEY HOPED THAT THE EC COUNCIL OF MINISTERS WOULD,
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ON FEBRUARY 7, AGREE TO A POSITION FOR NEW APPROACHES TO JAPAN WHICH WOULD CONCENTRATE ON A DEMAND THAT JAPAN SET A GROWTH TARGET HIIHGER THAN THE 7 PERCENT TARGET THE GOJ HAS JUST ANNOUNCED, AND MAINTAIN THAT HIGHER-THAN-7 PERCENT TARGET FOR A COUPLE OF YEARS. THEY ALSO HOPE THAT THE U.S. WILL SUPPORT THE EC IN THESE DEMANDS -- "ACT IN PARALLEL."

3. WHILE THOMAS AND MAUD SEEMED SOMEWHAT RECEPTIVE TO FRIENDLY ADVICE AND INFORMATION REGARDING THE PROBABLE POOR PROSPECTS OF SUCH A RENEWED SET OF DEMANDS TO THE JAPANESE, THEIR SUPERIOR, MICHAEL BUTLER, WAS MORE ADAMANTINE IN A LATER CONVERSATION.

4. BUTLER SAID THAT THE STRAUSS VISIT HADN'T ENDED THE MACRO-ECONOMIC DISCUSSIONS WITH JAPAN, THOUGH HE UNDERSTOOD AMERICAN DESIRE TO CLOSE OFF FURTHER DISCUSSION OF PURELY TRADE MEASURES. HE HAD GOT THE IMPRESSION FROM MIYAZAKI THAT THE JAPANESE TRADE SURPLUS WOULD CONTINUE TO RISE, AND THAT THE JAPANESE NEED TAX CUTS TO STIMULATE THEIR ECONOMY. HIS IMPRESSION WAS THAT FUKUDA WAS HOLDING TAX CUTS UP HIS SLEEVE AS A CONCESSION TO THE EC. IN THE EUROPEAN APPROACH, IF IT TAKES THE LINE BUTLER WANTS, A GROWTH TARGET WILL NOT BE CITED, BUT IT WILL BE MADE CLEAR THAT THE 7 PERCENT TARGET WILL NOT BE REACHED ON THE BASIS OF THE SPECIFIC MEASURES ANNOUNCED BY THE GOJ, AND THAT 7 PERCENT WOULDN'T BE ENOUGH ANYWAY. THE EC WOULD THEREFORE SEEK JAPANESE AGREEMENT TO TAX CUTS BEFORE THE JAPANESE BUDGET IS COMPLETED IN MARCH.

5. BUTLER ADMITTED THAT IMMEDIATE, FULL SUCCESS WAS UNLIKELY. BUT HE FORESAW A SCENARIO IN WHICH THE EC CONFIDENTIAL

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CONTINUES "HITTING" THE JAPANESE, WITH THE EXPECTATION THAT THE JAPANESE WOULD ACT SIGNIFICANTLY BY THE TIME OF THE ECONOMIC SUMMIT. "YOU KNOW HOW NERVOUS THEY GET WHEN THE EC AND THE U.S. GET TOGETHER."

6. WHEN IT WAS SUGGESTED THAT BUTLER WAS PROPOSING "GANGING UP" ON JAPAN, HE SAID THAT "WE MUST OF COURSE IN OUR PUBLIC PRESENTATION AVOID THE IMPRESSION OF GANGING UP." BUT HE MADE IT PRETTY CLEAR THAT HE WANTED CLOSE COLLABORATION BETWEEN THE EC AND THE U.S.

7. THIS MESSAGE DRAFTED AFTER HORMATS' DEPARTURE.

BREWSTER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 Jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SPHERE OF INFLUENCE
Control Number: n/a
Copy: SINGLE
Draft Date: 18 Jan 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON00905
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780027-0226
Format: TEL
From: LONDON USEEC
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780150/aaaabqgf.tel
Line Count: 108
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: bbb3cfe2-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 77 LONDON 20535
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 26 May 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3756362
Secure: OPEN
Status: NATIVE
Subject: CONTINUED BRITISH DESIRE TO PRESSURE JAPAN
TAGS: ETRD, JA, UK, EEC
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/bbb3cfe2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014